

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 EUR-12 NEA-06 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 L-02 DODE-00 PA-01 USIA-06 PRS-01 INT-05

GSA-01 /100 W

----- 035840

R 260902Z DEC 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 5836

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

AMEMBASSY TOKYO

LIMITED OFFICIAL USE JAKARTA 15411

EO 11652: N/A

TAGS: EIND ENRG ID

SUBJ: INDONESIANS DISCLOSE "MASTER AGREEMENT" WITH
JAPANESE ALUMINUM GROUP ON ASAHAN ALUMIMUM SMELTER

REF: JAKARTA 13769 AND PREVIOUS

1. SUMMARY: PRESIDENT SUHARTO HAS GIVEN HIS
APPROVAL TO FURTHER GOI AGREEMENT WITH JAPANESE
ALUMINUM GROUP RELATING TO ASAHAN PROJECT.
CONFIRMATION OF AVAILABILITY HEAVY CONCESSIONAL
FINANCING REQUIRED FROM GOJ FOR THE PROJECT STILL
PENDING. END SUMMARY

2. FOLLOWING SEVERAL INDICATIONS OF ONDONESIAN
TESTINESS AT SLOW PACE OF NEGOTIATIONS WITH THE
JAPANESE (REFEERENCE), CULMINATING IN FOREIGN
MINISTER MALIK'S "NOT RULING OUT POSSIBILITY OF
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SOVIET PARTICIPATION" AS REPORTED IN LOCAL PAPERS

12 DECEMBER, INDONESIANS DISCLOSED THAT PRESIDENT SUHARTO APPROVED A NEW "MASTER AGREEMENT" WITH JAPANESE ALUMINUM GROUP (SUMITOMO, MITSUI, SHOWA DENKA, NIPPON LIGHT METAL, MITSUBISHI), ON 23 DECEMBER. AGREEMENT WAS NEGOTIATED AND INITIALLED IN TOKYO, WITH SUMITOMO REPRESENTING THE JAPANESE GROUP.

3. ACCORDING TO MINING MINISTRY SOURCES, WHAT THE PRESIDENT CHIEFLY AGREED TO WAS ACCEPTANCE OF JAPANESE GROUP'S REQUEST FOR ANOTHER SIX MONTHS IN WHICH TO OBTAIN GOJ SOFT-LOAN SUPPORT FOR THE PROJECT. THIS AMOUNTS TO 85 PERCENT OF CIRCA \$900 MILLION CAPITAL ESTIMATE. IN ORDER TO ASSURE INVESTORS 9-10 PERCENT RETURN ON EQUITY, INDONESIANS MADE TAX CONCESSIONS(UNSPECIFIED) IN COURSE OF RECENT TOKYO SESSION; AVAILABILITY OF OFFICIAL GOJ LOANS IN A RANGE OF INTERST RATES FROM 4 AND ONE HALF TO 7 PERCENT AND AVERAGING 5 PERCENT HAS BEEN ASSUMED. CHIEF JAPANESE NEGOTIATOR A SUMITOMO VICE PRESIDENT, ASSURED INDONESIANS OF IN-PRINCIPLE GOJ SUPPORT FOR THE PROJECT.

4. INFORMANTS DID NOT PROVIDE DETAILS OF SPECIFIC ISSUES THAT MAY HAVE BEEN RESOLVED IN PRESENT AGREEMENT, NOR INSIGHT INTO PUZZLINGLY SUDDEN ABOUT-FACE IN PROJECT'S OUTLOOK. WE ARE SEEKING INTERVIEW WITH CHIEF INDONESIAN ASAHAN NEGOTIATOR IN HOPE OF OBTAINING FURTHER CLARIFICATION. TOUSSAINT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, COSTS, AGREEMENTS, HYDROELECTRIC POWER PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JAKART15411
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740374-0928
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741210/aaaaailx.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 JAKARTA 13769
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 29 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 JUL 2002 by kelleyw0>; APPROVED <25 MAR 2003 by ShawDG>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDONESIANS DISCLOSE "MASTER AGREEMENT" WITH JAPANESE ALUMINUM GROUP ON ASAHAN ALUMINUM SMELTER
TAGS: EIND, ENRG, ID
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005